

# Water & Sewer Task Force

Second Public Hearing

March 5, 2013

# Task Force Purpose

- Resolution 12-027(A)
- Duty
  - Review the current rates
  - Propose rates for 2013

# Review Process

- Current Rate Model & Prior Rate Study
- Potential Rate Designs
  - Developing Rates for Small Systems (M54)

OBJECTIVES	INCREASING RATE MODEL	UNIFORM RATE MODEL	SEASONAL RATE MODEL	FLAT RATE MODEL
FAIRNESS				
CONSERVATION				
EQUITY				
COST OF SERVICE BASED				
UNDERSTANDABLE				
FEASIBLE				
DEFENDABLE				
REVENUE STABILITY				
COST RECOVERY				
LEGAL				

Low
Satisfactory
High

# Specific Costs Reviewed

- Staffing
  - Required certification for treatment plant operators
  - Required number of staff
- Administrative Costs
  - Finance
  - Other Support
- Water “waste”
  - Port & Harbor
  - Dead-end line flushing
- Meter accuracy

# Other Considerations

- Rates in other communities
  - Not really an apples-to-apples comparison
    - Well water vs. surface water treatment requirements
    - Pressure reducing valves (water system)
    - Lift stations (waste system)
    - Low customer density
    - State-of-the-art treatment facilities
  - Kachemak City Service Contract
    - Out dated

# Proposed Model - Water

City of Homer Water and Sewer Rate Study Draft Rate Model			
Version 1 - Working Feb - FIRST FINAL for 2nd Public Hearing			
Updated February 5, 2012 by Task Force			
Water Rates			
	Revenue Assumptions (dollars):		Source:
1	Total Water Revenue Requirements (2014)=	1,890,265	Annual Budget
2	Deduct Portion Collected through Service Fee=	310,077	Annual Budget
2	Hydrant Rents (10% of E6) =	189,027	Annual Budget
4	Sprinkler Differential (20 buildings - \$5/mo)=	1,200	Building Customer
6	Surplus Water Sales (Bulk) surcharge only =	92,290	Bulk Sales
8	Adjusted Revenue Requirements =	1,297,672	Calculated
9	Usage Assumptions (gallons):		
10	Metered Sales Projection (gallons) =	125,000,000	Prior Year
**11	6.5% Commodity Reduction due to Conservation =	8,125,000	Number to be tested
12	Adjusted Sales Projection (gallons) =	116,875,000	Calculated
	Informational:		
13	Spit Water Sales =	17,921,000	Prior Year
14	Surplus (Bulk) Water Sales =	23,072,500	Prior Year
15	Number of Meters =	1,472	Prior Year
16	City Hall Finance Department O/H=	775,192	Annual Budget
17	Public Facilities Water Usage (value)=	134,904	Annual Budget
	All Customers	Water Rate	Metered Service Fee
		0.0111	17.55
	Bulk Water = .015/gallon		
			Rounded up to \$18

# Proposed Model - Sewer

City of Homer Water and Sewer Rate Study Draft Rate Model			
Updated February 5, 2013 by Task Force			
Sewer Rates	Version 12 - Working February	FIRST FINAL - Second Public Hearing	
	Revenue Assumptions (dollars):	Source:	
1	2014 Total Revenue Requirement=	1,680,279	Annual Budget
**2	Sewer Differential (.86*84% of Lift Stations) =	156,447	All Lift Station Users
**3	High BOD Generator Sewage Differential (\$10/mo) =	5,760	New Fee
4	Customer Fee from KC/Tenants (\$5/mo) =	53,160	Reduced Fee
7	Kachemak City Fees (less pumping) =	81,270	Prior Year
8	Dumping Station Fees	10,500	Prior Year
9	Summer Metered Gallons (Septic Reduction) =	(400.00)	From Accounting
10	Adjusted Revenue Requirements=	1,373,542	
	Usage Assumptions (gallons):		
11	Discharge Sales Projection (gross metered) =	125,000,000	Water Sales
**12	6.5% Commodity Reduction due to Conservation =	(8,125,000)	
13	Metered Spit w/o entering Treatment Line=	(9,150,000)	
14	Adjusted Discharge Sales Projection =	107,725,000	
	Informational:		
15	Spit Sewer Discharge (gallons)=	7,225,000	Prior Year
16	Lift Station Costs=	181,915	Annual Budget
17	Single Connection Multi-Tenant Units=	886	Prior Year
18	Public Facilities Contribution =	46,918	Annual Budget
**19	High BOD Generator Sewage (gallons) =	48	From Page 2
20	Dumping Station Fees =	10,500	Annual Budget
	NON-Lift Zone Customers - Sewer Rate /gal		
21	0.013		
**	Lift Station Zones - Sewer Rate /gal		
22	0.023		

# Recommendations

- Replacing the current rate model with the proposed commodity based model.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in dead-end lines.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Conduct rate-setting in a manner that will not allow political influences to result in the under collection of rates in the future.
- Establish a periodic meter inspection program to ensure that all meters are properly installed and reading.
- Consider hiring a qualified consulting firm to review the rate structure and/or establish a Water & Sewer Board that is advisory to the Council.

Questions

